

Message Text

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14/50

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 NSC-05 SS-15

STR-04 CEA-01 /083 W

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R 200825Z AUG 75

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 7800

INFO AMCONSUL CALCUTTA

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C O R R E C T E D C O P Y (PARAGRAPH TWO)

EO 11652: N/A

TAGS: ECBN BG

SUBJ: CALL ON JUTE MINISTER

1. AMBASSADOR, ACCOMPANIED BY ECONOMIC COUNSELOR, PAID COURTESY
CALL ON JUTE MINISTER, ASADUZZAMAN KAHN, AUGUST 12. MINISTER
FOUND POST-DEVALUATION OUTLOOK FOR JUTE INDUSTRY AND EXPORTS
ENCOURAGING. HIGHLIGHTS FOLLOW:

2. JUTE CROP. MINISTER SAID THAT 1975/1976 RAW JUTE CROP HAD
BENEFITED FROM IDEAL WEATHER CONDITIONS AND FIRST ESTIMATES SUGGESTED
HIGH YIELDS FROM THE 1.4 MILLION ACRES SOWN (SAME ACREAGE AS LAST
YEARS'S LOW LEVEL) WOULD PRODUCE LARGER CROP ESTIMATE AT FOUR TO
FIVE MILLIONS BALES. THIS, TOGETHER WITH CARRY-OVER STOCKS, WOULD
BE SUFFICIENT TO PROVIDE RAW JUTE FOR DOMESTIC MILLS AND PER-
MIT ACHIEVEMENT OF TWO MILLION BALE EXPORT TARGET FOR 1975/1976.

3. EXPORT OUTLOOK.

A. RAW JUTE: FIRST SALES OF NEW SEASON OF RAW JUTE WERE
ENCOURAGING WITH MINISTER WAS HOPEFUL THAT BANGLADESH WOULD
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EXPORT TWO MILLION BALE (OF 400 POUNDS) IN 1975/1976. 1974/

1975 EXPORTS HAD BEEN ONLY ABOUT ONE-HALF THIS AMOUNT.

B. JUTE GOODS: MINISTER WAS PARTICULARLY ENCOURAGED BY RECENT TURNAROUND IN SALES OF CARPET BACKING TO US. ORDERS HAD BEEN BOOKED AGAINST CARPET BACKING PRODUCTION THROUGH JANUARY, 1976. TO MEET ALL EXPORT SALES OBLIGATIONS, MINISTER SAID ALL MILLS WERE IN OPERATION WITH MANY ON TWO AND EVEN THREE SHIFTS PER DAY.

4. OPERATING EFFICIENCY AND LABOR DISCIPLINE. MINISTER NOTED THAT JUTE MILLS WERE FAR BETTER MANAGED TODAY THAN DURING MONTHS FOLLOWING 1972 NATIONALIZATION. HOWEVER, HE NOTED IT WOULD STILL TAKE CONSIDERABLY MORE TIME BEFORE THE MILLS WERE OPERATING AS EFFICIENTLY AS THOSE IN INDIA. THE MAJOR PROBLEM WAS THE MAINTENANCE AND MODERNIZATION OF THE EQUIPMENT WHICH DEPENDED ON SUFFICIENT IMPORTS OF PARTS AND MACHINERY. PROVISION OF IMPORTED SPARE PARTS TOGETHER WITH NEW MACHINERY WOULD, MINISTER BELIEVED, ENABLE MILLS TO EARN PROFIT OVER TIME. DUE TO SECOND REVOLUTION JUTE MILL LABOR WAS NOW FAR MORE DISCIPLINED THAN EARLIER.

5. EFFECT OF DEVALUATION. DEVALUATION HAD AFFECTED PROFITABILITY OF JUTE MILLS IN TWO MAJOR WAYS. ON ONE HAND, THE COST OF SPARE PARTS AND IMPORTED RAW MATERIALS HAD INCREASED. ON OTHER HAND, TAKA RETURNS TO MILLS FROM EXPORT SALES HAD ALSO INCREASED. ON BALANCE, MINISTER JUDGED THAT MILLS WOULD OPERATE AT ABOUT BREAK-EVEN POINT THIS YEAR AND WITH IMPROVED AVAILABILITY OF SPARE PARTS AND REPLACEMENT MACHINERY, WOULD, OVER LONGER TERM, EARN PROFITS.

6. PRICING. MINISTER NOTED THAT BANGLADESH HAD CONTINUED LONG ESTABLISHED PRACTICE OF "PEGGING" ITS JUTE GOOD PRICES JUST UNDER THOSE CHARGED BY INDIAN MILLS. PRICES HAD BEEN REDUCED SOMEWHAT FOLLOWING DEVALUATION AND THIS FACT COMBINED WITH ECONOMIC UPTURN IN US, HAD ENABLED MILLS TO REDUCE LARGE STOCK-PILE OF GOODS AND TO INCREASE PRODUCTION.

7. COMMERCIAL CLAIMS. MINISTER EMPHASIZED HIS GOVERNMENT'S POLICY OF ADJUSTING CLAIMS PROMPTLY IN ORDER TO MAINTAIN CONFIDENCE ON PART OF US AND FOREIGN BUYERS. SINGLE OUTSTANDING CASE INVOLVED REVONNAH SPINNING MILLS (OF PENNSYLVANIA) AND MINISTER HAD SENT OFFICIAL TO NEW YORK TO RESOLVE MATTER WITH LIMITED OFFICIAL USE

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REVONNAH PRINCIPALS.

8. TRADE NOT AID. MINISTER RECOGNIZED NEED FOR BANGLADESH TO MAINTAIN AND DEVELOP MARKETS FOR ITS RAW AND MANUFACTURED JUTE. MINISTER LOOKED FORWARD TO DAY WHEN TRADE FLOWS WOULD SUPPLANT DONOR ASSISTANCE IN FINANCING BANGLADESH DEVELOPMENT.

9. COMMENT. WE FRANKLY DOUBT THAT BANGLADESH WILL ACHIEVE ITS

1975/1976 RAW JUTE EXPORT TARGET. IN ANY CASE EVEN IF EXPORT
REGISTRATION SALES REACH TWO MILLION BALES THIS YEAR, LONG
SHIPPING PAYMENT LAGS SUGGEST A FURTHER DECLINE IN EARNINGS
FROM DISAPPOINTING 1974/1975 RAW JUTE EXPORT RECEIPTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: JUTE, EXPORTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DACCA04082
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750294-0499
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750832/aaaabbzq.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 04 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 AUG 2003 by ShawDG>; APPROVED <24 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CALL ON JUTE MINISTER
TAGS: ECON, EPAP, BG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006